



State of New Jersey

COMMISSION ON HIGHER EDUCATION
EDUCATIONAL OPPORTUNITY FUND

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RICHARD J. CODEY
Acting Governor

April 26, 2005

TO: Members, EOF Board of Directors

FROM: Glenn B. Lang, Ed.D, Executive Director

SUBJECT: Resolution 19:05 Approval of Preliminary FY2006 Article III and Article IV Summer Program, Academic Year Article III Undergraduate and Graduate Grants, and King and Ferguson Scholarships and Academic Year Article IV Allocations

Attached for the Board's review and approval are the proposed preliminary allocations, based on Acting Governor Codey's FY 2006 recommendation of level funding for EOF Article III and Article IV, the Martin Luther King Physician-Dentist Scholarship, and the C. Clyde Ferguson Law Scholarship. The EOF Board of Directors' Budget Committee held a telephone conference meeting on April 5, 2005 to review the staff's recommendations for annual allocations to participating institutions for FY 2006.

It is important to note that level funding the campus programs does not guarantee the same level of services or number of students served. The Board's allocations to campus programs have always included the appropriation, plus reserves, and balances the Fund is allowed to maintain. In essence, the operating budget has always been greater than the appropriation. However, for FY 2006 there will be a much smaller margin between the operating budget and the appropriation.

Given the Acting Governor's recommended level EOF appropriations for FY 2006, plus the funds reserved in Article III for this coming summer, refunds recovered from prior years, and projected spring student grant processing balances, the CHE/EOF staff recommends the following preliminary allocations:

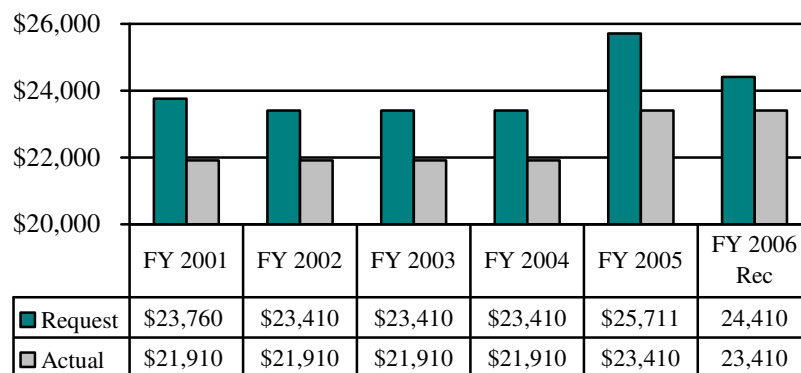
- Campus programs will receive the same dollar amount in Article IV to administer the summer 2005 and academic year 2005/2006 programs as allocated in the current fiscal year (FY 2005).

- The amount of Article III funding to cover the cost of student attendance in the summer (tuition, fees, room & board, books etc.) will remain level.
- The recommended support for academic year 2005-2006 funding equals the actual fiscal year 2005 level of expenditures for student grants for the academic year 2004/2005¹. King and Ferguson grants will also remain at the same allocation level.
- Sufficient Article III and Article IV funds have been retained to sustain our newest program at Warren County Community College.

ARTICLE III

EOF Article III (Opportunity Grants) is used to fund the summer pre-freshman program, summer attendance for renewal students, and academic year student grants. While the Fund received Article III appropriation increases in fiscal years 2001 and 2005 to increase student grants, no funds were earmarked to increase the number of EOF students enrolled. Because this category is used for both academic year grants and the summer program, the Board has to balance the demands for additional students during the academic year with that of maintaining the summer program in the face of increasing costs.

Figure 1
EOF Budget, Article III
Requests vs. Actual Appropriations
(000)



Because summer programs span two fiscal years, the resources for both the Article III (cost of education – tuition, fees, room, board, etc.) and Article IV (program support – administrative costs) are derived from both years. The Board has already advanced Article III summer funding to the colleges from FY2005 reserves at the December 16, 2004 meeting. These preliminary allocations complete the distribution of all available (anticipated) state support for summer 2005.

¹ Enrollments and expenditures reconciled as of March 28, 2005)

Total undergraduate EOF enrollment for the fall 2004 semester was 12,283 students. Based upon the projected funding levels, staff proposes a no-growth, level student enrollment budget. The recommended support for academic year 2005-2006 funding equals the actual fiscal year 2005 level of expenditures for student grants for the academic year 2004/2005 plus an allocation of 25 additional students for our new program at Warren County Community College. Given the critical importance of the pre-freshman summer program, the staff recommends that priority be given to assuring the integrity of the pre-freshman summer program for summer 2005 and is recommending that the Board approve using the available projected reserves from the spring 2005 student grant payment process to help maintain future summer program quality.

These factors have the following consequences for Article III allocations:

- First, in December 2004 the Board was only able to use \$902,460 to front fund 2005 summer program. In comparison, the Board devoted \$1.274 million to front fund summer 2004 and \$1.615 million to front-fund summer 2003. There is less in the reserve at this time due to our necessary reliance on using balances and prior year reserves to preserve summer program quality by maintaining the summer program at prior year's expenditure levels. The practice of maintaining the summer program allocations level to prior year expenditures (along with maintaining academic year enrollments) has reduced the funds available to front-fund the subsequent summer programs.²
- Second, due to continued level appropriations, there are no funds reserved to address appeals to respond to any potential enrollment growth in the upcoming academic year. As a result, if institutions increase enrollment due to returning students, improved retention, and acceptance of transfer students and these students go into "Hold" status we cannot guarantee that they will be paid. It is also important to note that the inability to support enrollment growth also affects the Board's ability to support the increased number of freshmen necessary for many institutions to meet the EOF ten percent fall freshman enrollment goal.
- However, prior experience suggests that the institutions will continue to cancel student awards for the spring 2005 semester from now through June. As that happens, refunds will be made to the Fund, which can be captured and applied toward FY2006.

² Beginning in FY1996 EOF no longer had the ability to maintain accumulated carry forward balances into the next fiscal year which the Board (historically) used to support program activities and student enrollments not addressed by the annual appropriation. The FY 1997 appropriation included a \$1million Article III increase to help-front fund the summer program along with language, which permits the Fund to recover and use prior years refunds, but not to maintain accumulated carry forward balances as was the practice prior to FY1996. The levels of prior year balances are generally lower than the amount resulting from the ability to accumulate carry forward balances. Improvements in fiscal management have enabled the staff to identify (potential) under expenditures during spring semester student award processing that can be redirected to front-funding the summer programs that begin before the close of the fiscal year.

One potential option campus directors may exercise to maintain or increase academic year enrollments is to decrease the maximum level EOF grants students receive and to use the available allocation to fund more students. Directors have this flexibility at their disposal when faced with increasing enrollment demands, especially in situations when their annual enrollment yields or retention rates may “spike.” While this is an option for directors, it is not desirable to reduce awards for these needy students.

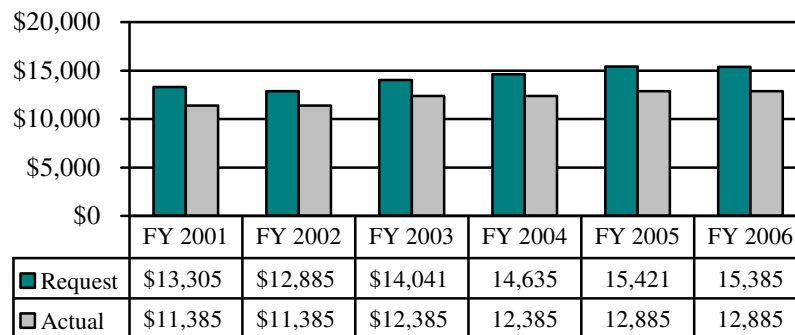
The CHE/EOF staff recommends that any funds recouped through refunds and spring 2005 student grant processing balances between now and the September 2005 Board meeting, will be directed first to bring Article III funds reserved to front-fund the summer program to a minimum of \$1 million (which equals the FY 1997 increase for summer) and any funds recouped in excess of this projected level be used as a reserve for fall 2005 semester student grant processing prioritizing renewal, transfer and readmitted students who go into “hold” status. I recommend that the Board concur with the staff to discourage additional enrollment growth during the upcoming year.

Another pressing concern facing campus programs will be how many students can be served in the coming summer program. Tuition, fees, and room & board charges continue to escalate. Over the past year, staff has engaged in discussions with directors and their staff from each sector and has learned that there are a number of resource-driven modifications to the “traditional summer program model.” For example, what covered those costs for three students last summer may only be enough for two students this summer. Alternatively, what paid for three students for *six weeks* last summer may only be enough for three students for *four or five weeks* this summer. This would appear to be the direction many programs are taking.

ARTICLE IV

EOF Article IV (Supplemental Education Grants) funds are used for program support services (counseling, tutoring, structured study sessions, and student leadership training). The program received increases in the Article IV appropriation during fiscal years 2003 and 2005. Despite the implementation of a wide range of efficiencies and quality improvements at both the state and campus levels, there has been a progressive erosion of student support services due to increasing costs.

Figure 2
 EOF Budget, Article IV
 Requests vs. Actual Appropriations
 (000)



As noted, within the available funds staff recommends preliminary allocations that provide level Article IV funding for summer and academic year programming. However, the same effects of increasing costs and increasing demands will be true with those Article IV covered costs of campus program administration – salaries, tutoring, supplies, etc.

Finally, the proposed budget allocation projects \$200,713 in Article IV funds for Central Initiatives, \$192,000 less than in FY2005. We have drawn from these funds to support the new program at Warren County Community College. The Central Initiatives budget category includes end-of-year balances and refunds that the Board draws against to support student and professional development activities that are offered on a statewide basis (e.g., the EOF Professional Association conference and Student Day Awards Luncheon,) and also funds our graduate assistant. It will also continue to be our resource to fund the campus site visits by external evaluators. A list of proposed activities for FY06 will be provided at the September 2005 Board meeting. At that time, we will have a more conclusive accounting of available Article IV balances after the close of the fiscal year.³

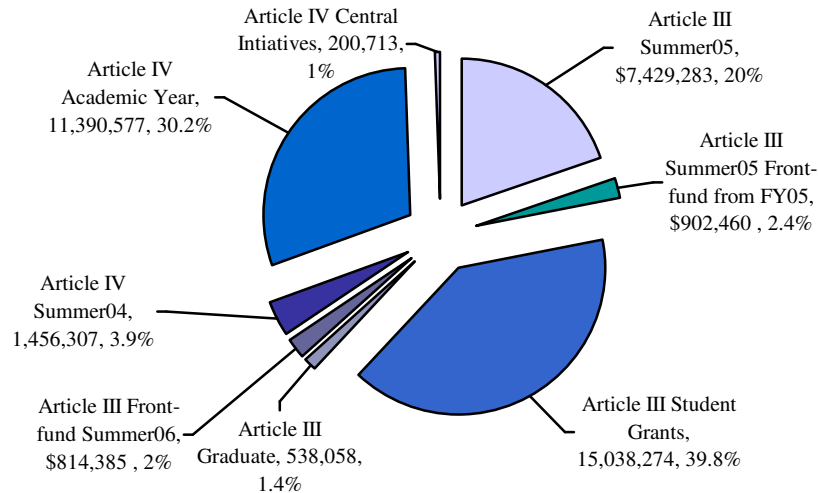
The total proposed preliminary allocations are summarized in Figure 3. This outlines the proposed distribution of funds from all currently available and anticipated sources for FY 2006. Academic year student grants comprise approximately 40% of the total proposed allocations followed by Article IV academic year program support (30.2%), and the summer program 2005 (26.3%). Attachments B through D detail the proposed FY 2006 allocations for each institution.

The summer program draws from three pools of funds, Article III that was approved by the Board at the December 2004 meeting to front-fund the summer (\$902,460), and Article III (\$7.429 million) and Article IV (\$1.456 Million) from the Acting Governor's

³ Treasury does not close the fiscal year until mid-August.

proposed FY2006 budget for EOF. Attachment B details the distribution of summer program funds by institution.

Figure 3
Summary Total Recommended
Preliminary Article III and IV Allocations



FERGUSON AND KING SCHOLARSHIPS

Level funding has also been proposed for the C. Clyde Ferguson Law Scholarship and Martin Luther King Physician-Dentist Scholarship programs.

The resolution, which follows, seeks your approval of the preliminary summer and academic year allocations as listed in the following attachments:

- **Attachment A:** Summarizes the appropriation and all available resources (TOTAL OPERATING BUDGET) for EOF Articles III and IV, King and Ferguson Scholarships and detail the total staff recommended preliminary allocations for summer 2005 and the academic year 2005-2006.
- **Attachment B:** details the summer 2005 preliminary allocations from FY 2005 and FY 2006 funds (both Article III and Article IV) for each of the programs.
- **Attachment C:** distributes academic year (fall and spring semester) grants for 12,308 undergraduate and 182 graduate students.
- **Attachment D:** outlines the preliminary Article IV allocations to each institution to administer their academic year program.
- **Attachment E:** distributes academic year student grants under the Martin Luther King Physician-Dentist Scholarship and the C. Clyde Ferguson Law Scholarship.

Attachments

RESOLUTION 19:05

RESOLUTION APPROVING ALLOCATIONS FOR:

- **THE FY 2006 EDUCATIONAL OPPORTUNITY FUND PROGRAM, including**
- **ARTICLE III COST OF EDUCATION AND ARTICLE IV SUPPORT ALLOCATIONS FOR THE SUMMER 2005 PROGRAM;**
- **ARTICLE III UNDERGRADUATE AND GRADUATE STUDENT GRANTS;**
- **ARTICLE IV ACADEMIC YEAR 2005-2006 PROGRAM SUPPORT ALLOCATIONS; AND**
- **MARTIN LUTHER KING PHYSICIAN-DENTIST SCHOLARSHIPS AND C. CLYDE FERGUSON LAW SCHOLARSHIPS**

WHEREAS: The EOF Board of Directors has the responsibility for evaluating and approving the allocations of each participating program; and

WHEREAS: The budget review process has been completed by the CHE/EOF staff for all programs and reviewed with the Board's Budget Committee; and

WHEREAS: The proposed allocations are summarized in Attachment A; and

WHEREAS: The Board reaffirms its policy of maintaining quality programs; now, therefore, be it

RESOLVED: That the EOF Board of Directors shall allocate level funding in the amount of \$8,331,743 – Article III and \$1,456,307 – Article IV to support the summer 2005 program. These funds shall be distributed according to Attachment B; and be it further

RESOLVED: That the Board shall allocate \$15,038,274 of the Article III student grant appropriation to support 12,308 undergraduate students and \$538,058 to support approximately 182 graduate students for academic year 2005-

2006. These funds shall be distributed according to Attachment C; and be it further

RESOLVED: That the Board shall reserve \$814,385 of the Article III Student Grant appropriation for the 2006 summer program; and be it further

RESOLVED: That the Board shall use any funds recouped through refunds and spring 2005 student grant processing balances between now and the September 2005 Board meeting first to bring Article III funds reserved to front-fund the summer program to a minimum of \$1 million and any funds recouped in excess of this projected level be used secondly, as a reserve for fall 2005 semester student grants prioritizing renewal, transfer and readmitted students who go into “hold” status; and be it further

RESOLVED: That the Board shall discourage additional enrollment growth during the 2005-2006 academic year; and be it further

RESOLVED: That the Board shall allocate \$11,390,577 of the Article IV Program Support appropriation to provide support services to an anticipated 12,308 undergraduate students. These funds shall be distributed according to Attachment D; and be it further

RESOLVED: That Article IV Program Support funds, totaling \$200,713, are reserved for Central Initiatives for the 2005-2006 Academic Year program. The projected distribution of these funds shall be reviewed by the staff and the Board, and approved at a future Board meeting; and be it further

RESOLVED: That the Board shall allocate the \$602,000 King Scholarship appropriation to support up to 60 students at the University of Medicine and Dentistry of New Jersey and the \$200,000 Ferguson Scholarship appropriation to support up to 60 students at the Rutgers University and Seton Hall Law Schools for academic year 2005-2006 according to the distribution found in Attachment E; and be it further

RESOLVED: That these preliminary allocations are based upon the Acting Governor’s Fiscal Year 2006 budget recommendations, plus anticipated balances and refunds. In the event that sufficient funds are not available in the final Fiscal Year 2006 Appropriations Act, these allocations will be adjusted for subsequent Board consideration.

Adopted: April 26, 2005